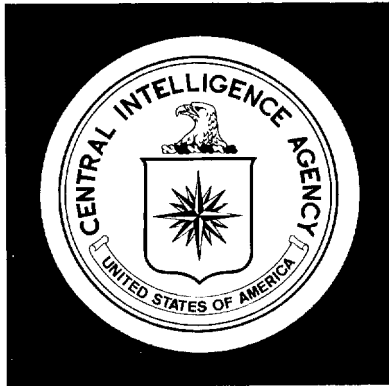


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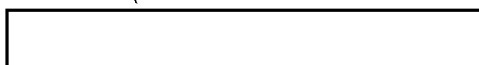
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ISRAEL-SYRIA: The level of artillery, tank, and mortar fire between Israeli and Syrian forces positioned along the Golan front flared abruptly yesterday after several days of relatively minor clashes. The exchange lasted over seven hours and involved the entire sector of the Israeli-held salient into Syria.

Although this exchange was initiated by Israeli artillery, there is little doubt that the clashes over the past 16 days have been orchestrated primarily by Damascus. The marked fluctuation in intensity during this period suggests that the Syrian motivation is more political than military. The Syrian leadership probably views the continuation of some level of armed conflict as necessary to maintain a strong negotiating position, as well as to demonstrate to the Arab world that the regime's basic militancy against Israel has not been eroded.

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EC: British officials are sympathetic to the US desire for more meaningful consultations with the EC Nine, but they have cautioned that the US should not have "excessive expectations" about London's ability to bring about changes in the EC decision-making apparatus. Although they consider good relations with the US vital, the British also want to avoid the risk of France's striking off on its own, free from the "modest constraining influences" of the Nine.

London anticipates that the French will continue to resist the German-proposed procedure that would have talks with the US take place during the Nine's process of internal deliberations. Paris' position is that France will only agree to the president of the Nine consulting with the US once the Nine are unanimous on a matter of mutual US-European interest.

The British maintain that, in the absence of collective consultations between the Nine and the US, greater bilateral consultation might serve the same purpose. Nevertheless, London is clearly concerned that the French would not feel bound under such circumstances to consult with the Nine on French policies, for example in the Middle East.

Italian Foreign Minister Moro, meanwhile, has demonstrated his sensitivity to Italy's apparently being left out of bilateral US talks, such as those with London and Bonn. Moro favors collective EC Nine - US consultations, but stresses that they must be mutual and should not imply a US veto over European affairs.

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ROMANIA: The personnel and organizational changes announced on March 26 considerably strengthen the political position of party and state chief Ceausescu. They do not portend any significant changes in Romania's foreign or domestic policy.

The changes, which were made public at the end of a two-day Central Committee plenum, conform to the Romanian leader's practice of frequently shifting party and state officials. He views this as increasing efficiency by maintaining a balance of loyalty and expertise.

The most significant shift was the retirement of 72-year-old Premier Maurer "because of health and age" and his replacement by Manea Manescu, a former deputy premier, one of Romania's leading economists, and a long-time adviser to Ceausescu. Ceausescu evidently found a convenient opportunity to retire Maurer with honor and to replace him with a man whose pliability further tightens the Romanian leader's control of the party and state bureaucracy.

Retirement of the ailing Maurer has been rumored for years. [redacted] political differences increasingly estranged him from Ceausescu. No specific clashes are known, but Maurer, like Ceausescu, is strong-willed, and the two reportedly have differed over economic questions and over Ceausescu's growing "cult of personality"--including the rapid political rise of Ceausescu's wife, Elena.

Other personnel changes involve mainly promotions or transfers of individuals whose backgrounds suggest increased emphasis on economic efficiency, including foreign trade. The only apparent serious loser is Virgil Trofin, who lost his posts as deputy premier and minister of home trade. He was assigned to unspecified "party activity," perhaps at the county level.

The plenum also called for a constitutional change that would establish an office of president

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of the republic and recommended that Ceausescu be elected to this post. He will evidently continue to hold the title of president of the Council of State.

In addition, the plenum abolished the party's permanent presidium (politburo), but established an elite party and state body, the Standing Bureau, which will be charged with daily coordination of both party and government activity. The formulation of national policy will remain in the hands of the party's powerful executive committee. Establishment of the Standing Bureau--to which Ceausescu was, of course, named--conforms to his long-term program of combining parallel party and state positions. It is also aimed at reducing bureaucracy and increasing economic efficiency.

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SOUTH VIETNAM: Saigon is becoming more concerned about its economic situation. President Thieu has told US officials that economic problems are now more serious than the military threat and that his advisers recognize that mounting inflation and the possibility of diminished aid levels will produce a worsening economic situation during the coming year.

For the moment, however, the government appears to be planning no changes in basic policy and hopes to cope with the situation through belt-tightening and other measures.

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The government has been trying to improve South Vietnam's international image because it fears that economic difficulties may be aggravated if it fails to get sufficient foreign aid. Concern that the US Congress might reduce aid requests apparently is one of the motives for the recent intensified drive against corruption and efforts to improve the government's performance.

Khiem has asserted that the government must demonstrate its ability to present well-researched aid projects and that money received must be spent responsibly for projects of lasting value. Thieu also wants to appoint a new deputy prime minister who can coordinate economic affairs among the ministries, but he says he has not yet been able to find a candidate with sufficient prestige for the job.

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FRANCE-USSR: Europe's largest aluminum manufacturer, Pechiney-Ugine-Kuhlmann, may soon sign an agreement in principle to build a \$1-billion aluminum complex in the USSR. Final agreement with the Soviets, however, may not be reached for several months.

The complex would include construction of an alumina refinery near the Black Sea with a capacity of 1 million metric tons per year, as well as a 500,000 ton-per-year aluminum smelter near the hydroelectric station now being built in southern Siberia and a plant to manufacture anodes. The bauxite refined in the Black Sea plant will be imported for the first years of operation.

A number of details--principally relating to financing and counterpurchases--remain to be worked out. The Soviets would like to finance the project on a self-liquidating basis, whereby the value of Soviet imports of French equipment and technology will be covered by a French guarantee to purchase an equivalent value in output from the plant. In addition, the Soviets would like to conclude an agreement committing the French to buy specified quantities of the plant's output for hard currency.

Moscow is also negotiating an agreement with Kaiser Aluminum for a similar--but much larger--aluminum complex. If both the Kaiser and Pechiney deals are concluded, Moscow will be adding 4 million tons per year to its alumina refinery capacity and 2 million to its aluminum smelter capacity. This would roughly double both capacities. The Soviets have expressly stated that the French and the American projects are not competitive, but are part of Moscow's long-range plans for expansion of the aluminum industry.

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CHILE: Record copper exports combined with the signing of the Paris Club agreement rescheduling some \$490 million in debt repayments due to major Western creditors during 1973 and 1974 greatly improve the outlook for Santiago's balance of payments this year. The trade deficit will probably amount to about \$200 million, compared with \$574 million in 1972 and \$348 million in 1973. Even with the debt rescheduling and credits the junta has obtained from the US, several Latin American neighbors, and international financial institutions, the balance-of-payments problem remains serious. Additional foreign credits will be required to cover the deficit this year.

Copper exports will earn an estimated \$1.6 billion, pushing the total value of exports to about \$1.9 billion. An ambitious renovation program, which lagged during the later years of the Allende administration, will boost Chile's copper production to a new high of about 880,000 tons. Copper prices are hovering near record levels and will probably continue to be strong during the year as consumers rebuild depleted stocks and speculators hedge against a possible US copper strike. Heavy food and petroleum imports will help to raise the import bill to more than \$2.1 billion.

The Paris Club agreement reduced debt repayments due major Western creditors to \$175 million from the \$641 million previously due this year. A further \$100 million is due other creditors, largely Communist nations and international institutions.

London's restriction of aid to Chile announced yesterday will mean that the current foreign aid program of about \$1 million will be cut back. British commitments of about \$120 million to provide military equipment will be honored. Since the coup, most Communist countries and some West European nations have canceled or suspended unused credits to Chile totaling some \$145 million.

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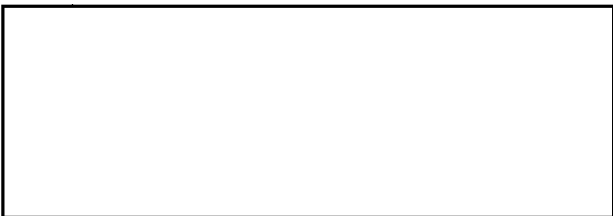
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